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DIRECTORATE OF
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Central Intelligence Bulletin

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*Vietnam: (Information as of 4:30 AM EST)

Communist Developments: The Communist bloc has loosed a flood of sharply worded propaganda supporting Hanoi's contention that US air raids on 13 and 14 December struck residential areas of the DRV capital.

A Moscow broadcast referred to the incidents as a "grave crime" and reminded the US Government of the pledge by the Communist states at the Bucharest conference in July to allow volunteers to go to Vietnam when and if Hanoi requested them. Peking commentary in the 15 December Peoples Daily charged that the raids represented an "extremely serious new war escalation."

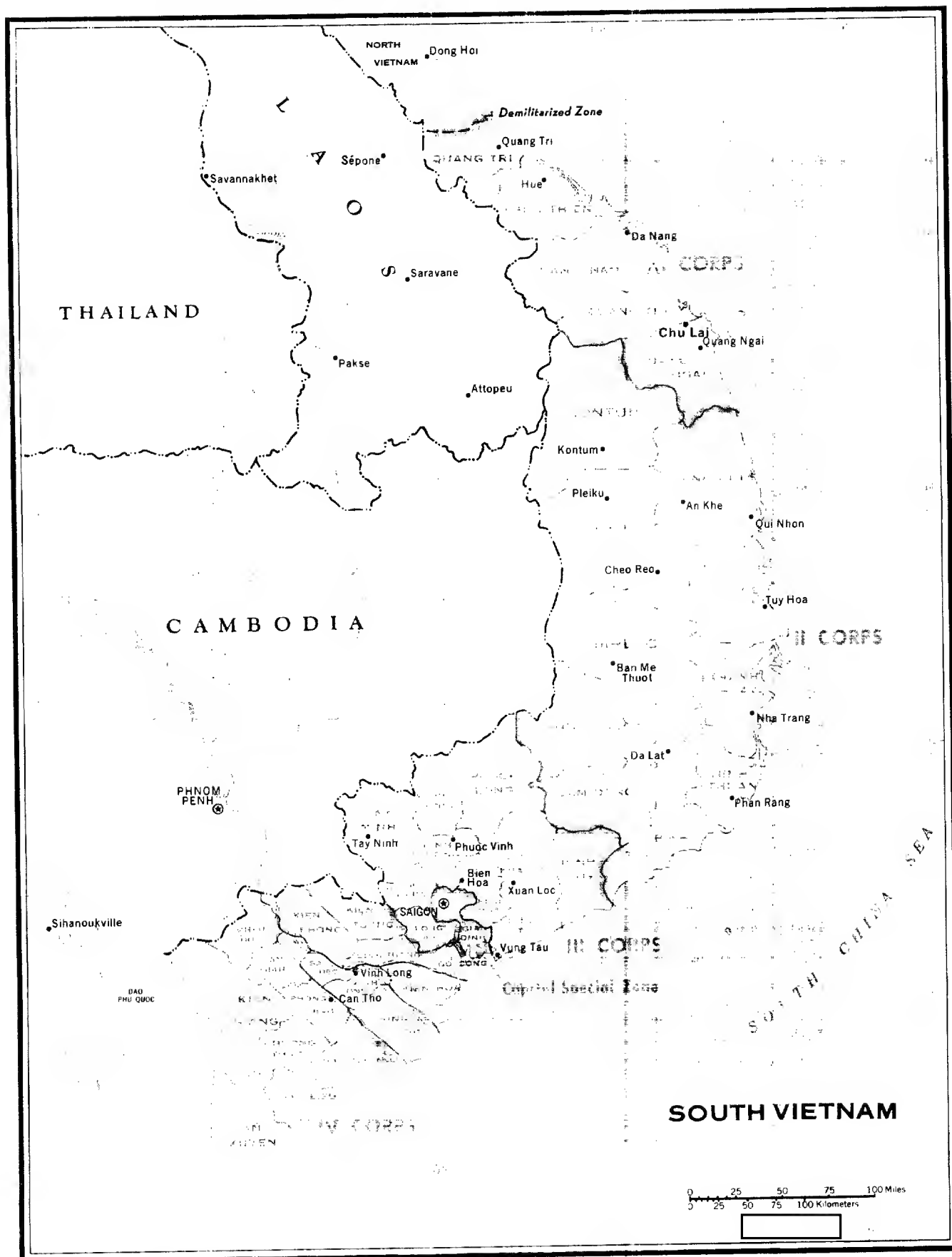
While belligerent in tone, the communications emanating from Moscow, Peking, and other bloc countries contained no new threats or any pledges of new aid.

Political Developments in South Vietnam: The Constituent Assembly has voted to incorporate in the constitution provisions for an executive branch having both a popularly elected president and an appointed prime minister.

Preliminary reports indicate that the assembly has provided for a relatively strong chief executive, who would be empowered to appoint and dismiss the prime minister without the approval of the national legislature. The legislature, however, would have the power to request the president to dismiss all or part of the cabinet members selected by the prime minister.

As envisaged by the assembly, the prime minister's role would be limited largely to daily administration of the government.

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The Military Situation in South Vietnam: Allied combat forces continue to press 29 battalion-size or larger search-and-destroy operations against known or suspected Communist troop concentrations and redoubts throughout South Vietnam. However, no significant contact with the enemy has been reported during the past 24 hours.

Late on 14 December, an estimated Viet Cong platoon attacked and inflicted moderate casualties on an American platoon guarding the western approaches to the US Marine enclave at Chu Lai. Eleven marines were killed and 14 wounded before tactical air strikes, artillery, and reinforcements forced the enemy unit to disengage. Communist losses are unknown. [REDACTED]

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SELECTED (OFFICIAL) SOVIET ECONOMIC DATA FOR 1966 AND 1967*

Percentage Increases Over the Planned Output of the Previous Year

	1966 PLAN	ACTUAL	1967 PLAN
Industrial Production	6.7	8.4	7.3
Group A (Capital Goods)	6.9		7.5
Group B (Consumer Goods)	6.0		6.6
Agricultural Production	8-10	10.0	4.0
National Income	6.4	7.4	6.6
Per Capita Real Income	6.5	6.0	5.5
Labor Productivity in Industry	4.7		5.0
Electric Power	10.6	7.5	9.7
Natural Gas	14.6	12.1	10.3
Crude Steel	6.3	6.6	5.3

*CIA estimates of Soviet economic performance are usually somewhat lower than official claims.

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*USSR: Preliminary Soviet reports on the presentation of the draft 1967 plan and budget to the Supreme Soviet suggest continuation of the pragmatic approach to economic policy and management that has prevailed since Khrushchev was ousted.

The announced eight-percent increase in military expenditures is not believed to be a useful indicator of changes in defense policies or effort. This budget category does not cover all military outlays and does not always move in even the same direction as total military expenditures. The 1967 figure, 14.5 billion rubles, is nevertheless the highest in recent years, and available information on Soviet military activity indicates that actual military outlays are increasing. The increase seems intended to demonstrate a determination to honor the USSR's defense commitments, particularly in view of sharp rises in US defense spending and the intensified Indochina war.

The planned rate of industrial growth--7.3 percent over 1966 achievements--is about the same as that actually achieved in 1966 according to CIA estimates, and is in keeping with the generally slower growth in recent years. Moreover, the few targets so far available for specific commodities indicate a continuation of recent trends in various sectors of industry. The power industry, machine building, chemicals, oil, and gas were singled out to grow faster than gross industrial output. Increased capital investment in the iron and steel industry is fairly substantial, probably reflecting the desire to achieve qualitative as well as quantitative goals.

Agricultural production in 1967 is to increase four percent over the highly successful year of 1966. If the Soviets attain this goal they will have made a good start toward fulfilling the draft five-year plan goals for agriculture.

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Planning organization chairman Baybakov again more or less admitted that the five-year economic plan (1966-1970) remains incomplete, implying that the Soviet leadership has not been able to reach a consensus on the difficult problems of resource allocation and economic reform. [REDACTED]

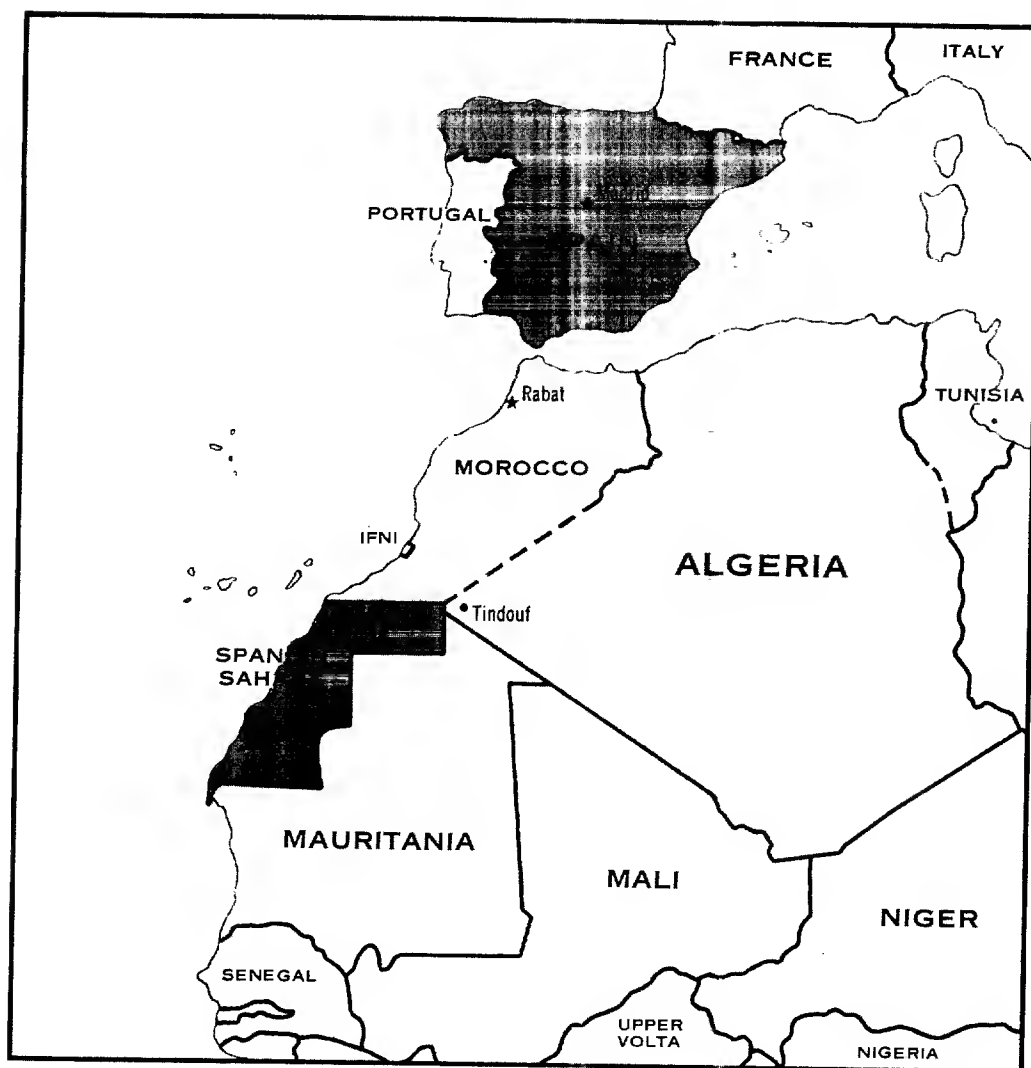
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Spain - Northwest Africa: The Spanish Government is readying a proposal for a multinational approach to the development of the mineral resources of the Sahara.

Vice President Munoz Grandes told Ambassador Harriman that Spain sees advantages in a roundtable consultation with Morocco, Algeria, and Mauritania to get the program going. Munoz cited the important Tindouf iron deposits, located at the western tip of Algeria where the four countries' boundaries converge, as a source of discord that could be alleviated by a regional approach.

Madrid may be looking for ways to protect its stake in the phosphate deposits discovered in Spanish Sahara in 1965. The Spanish may hope that a multi-lateral arrangement to develop the area could reduce pressure for Spanish withdrawal from the Sahara.

Mauritania and Algeria might agree to such consultations to advance their interests, but Morocco, which has long entertained territorial claims on Spanish Sahara, probably would be considerably less enthusiastic.

(Map)

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Venezuela: President Leoni's suspension of constitutional guarantees, which permitted military occupation of Central University, probably averted a confrontation with the military that could have ended in direct military intervention in the government.

The recent upsurge in guerrilla warfare and urban terrorism, the government's release of 31 political prisoners, and the announced plan to release additional prisoners added considerably to military discontent with government indecision.

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The terrorist attacks of 13 December,

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enraged military officers. They followed up earlier calls for more vigorous action with a flat demand that the President suspend constitutional guarantees.

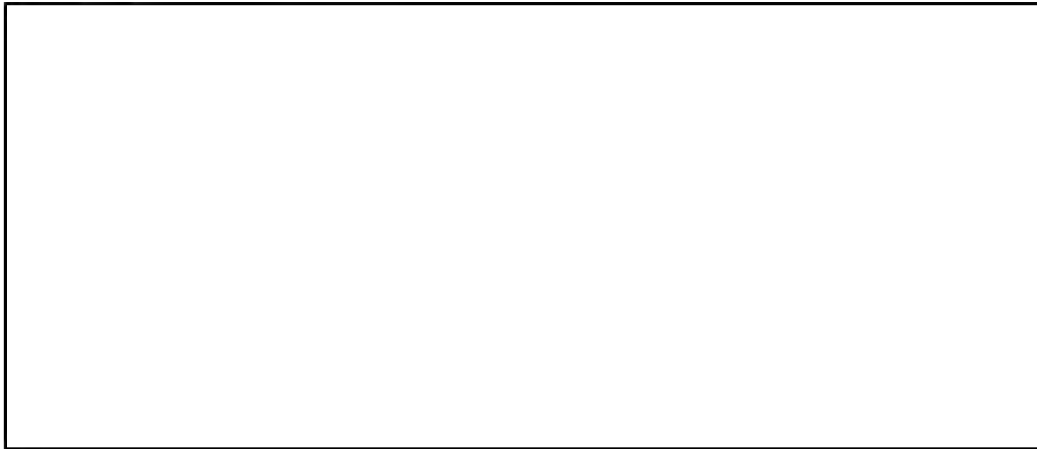
Ambassador Bernbaum comments that there is a good chance that the government's moves will improve relations between the military and the government. At the same time, according to the ambassador, "The question arises as to whether the military, who have now achieved extensive influence and control, will relinquish this in the near future."

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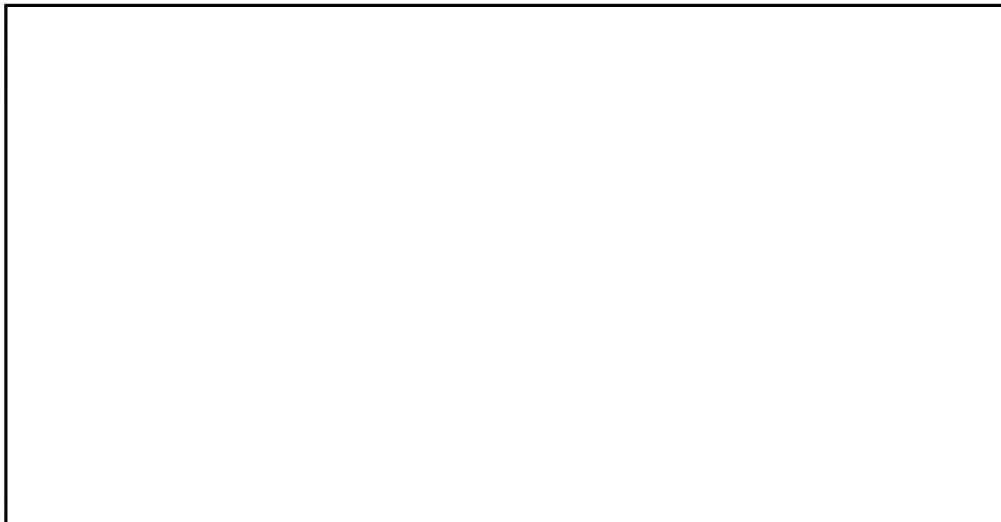
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Turkey-Cyprus-Czechoslovakia: The Turkish Foreign Ministry told the US Embassy yesterday that Czechoslovakia officially informed Ankara that it is stopping its second shipment of arms to Cyprus. Ankara intends to continue to press for the transfer to UN custody of Czech arms already received by the Greek Cypriots. Makarios, however, shows no sign of giving in to such pressure, and Athens does not believe it has much leverage to force his hand.

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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board on 15 December 1966 approved the following national intelligence estimate:

NIE 53-66, "Problems of Political Development in South Vietnam Over the Next Year or So"

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